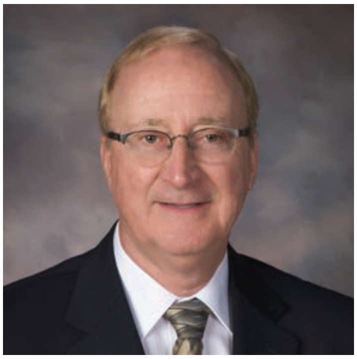
Since 1883

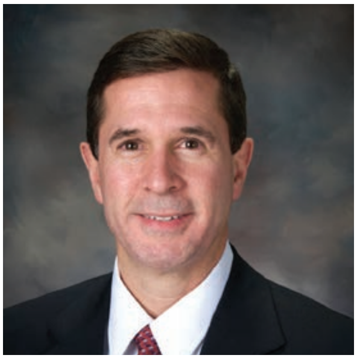
2020 ANNUAL REPORT

GREENVILLE FEDERAL FINANCIAL CORPORATION

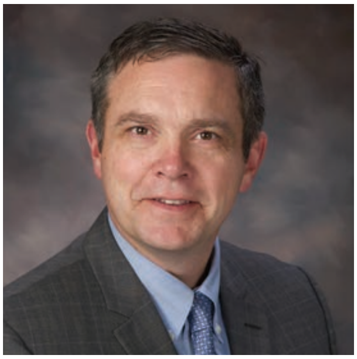
Board of Directors



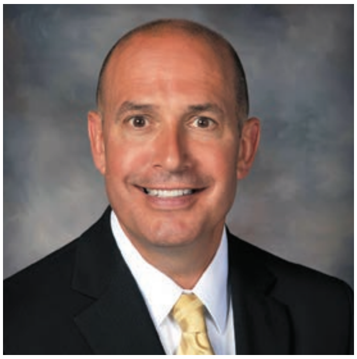
Jim Ward
Board Chairman



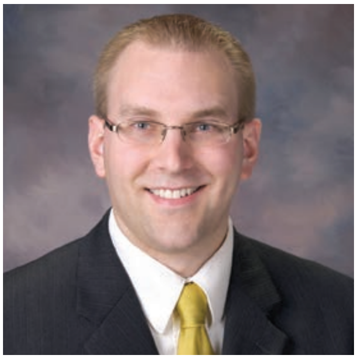
Jeff Kniese
President & CEO



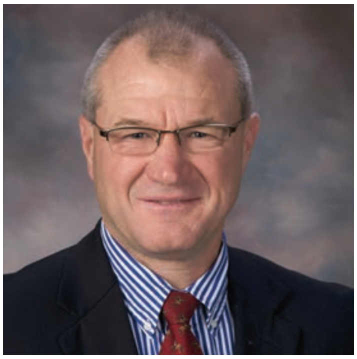
Pat Custenborder



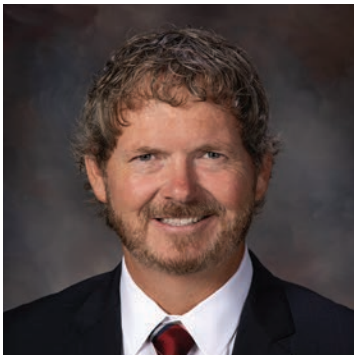
Joe Dickerson



Ryan Dynes



George Luce



Mark Miller

Julie Strait

Officers

Jeff Kniese
President & CEO

Susan Barker
Senior Vice President & CFO

Annette Ryan-Baker
VP, Commercial Loan Manager

Nicki Gillespie
AVP, Controller

Betty Hartzell
AVP, Cash Management

Holly Hildebrand
AVP, Retail Lending Sales Manager

Tina Jones
AVP, Chief Credit Officer

Linda Pittenger
AVP, Treasury Management

Linda Searls
AVP, Loan Operations Manager

Robyn Studabaker
AVP, Human Resources

Russ Thayer
AVP, Branch Administrator

Brian Beam
Marketing & IT Manager

Corey Eagle
Collections Manager

Nick Good
Commercial Loan Originator

GREENVILLE FEDERAL FINANCIAL CORPORATION
Greenville, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

CONTENTS

Letter from the President and Chief Executive Officer

Dear Fellow Stockholders and Friends:

What a year 2020 was with so many unexpected interruptions. If I had to describe 2020, I would use one word, “challenging”. COVID-19 dominated most all areas of our personal and professional lives and nobody could have predicted how challenging it would be prior to the start of 2020. With so many challenges confronting us, I am extremely proud of the response we had from all GF teammates to take on these challenges head on and persevere with a “can do” attitude. This positive attitude was on full display with our strong response to help local businesses with the newly formed Small Business Administration Paycheck Protection Program, or PPP for short. This new government loan program was conceived quickly and came with many challenges, yet we delivered to many existing and also new GF business customers as promised. In doing so we received numerous accolades from the business community for our efforts and we appreciate their confidence in our lending team.

Our financial results for 2020 were a combination of strong earnings, excellent credit quality and solid capital positions as we continue to execute our strategic growth strategy implemented several years ago. Capital remains well above the required levels according to our federal regulators and our liquidity continues to be at an all-time high. While having a high level of liquidity is positive, it also comes with challenges as to how to maximize the returns on that money. Margins continue to be squeezed and we predict the low-rate environment will pressure earnings for the foreseeable future. Loans and core deposits both achieved double digit growth with loans setting an all-time record for our bank as many individuals took advantage of historic low rates to refinance their home loans and many businesses made the change to partnering with us for their lending needs.

We did it again! In 2020 we once again achieved the coveted 5-star rating from independent bank rating agency Bauer Financial. This is their highest rating possible and our tenth year in a row being recognized as a top performing financial institution. A big “thank you” to my teammates for achieving this prestigious honor.

As we implement our strategic plan, new products and services are critically important to achieving our projected results. In 2020 we introduced a few new products and services which allow our customers to enjoy the ultimate banking experience. Our free GF Digital Wallet has been a success providing GF customers the ability to pay for certain retail products using our “touchless solution”. GF Notifi is another free service that alerts our customers when a certain transaction on their account exceeds a limit that they themselves establish. This is a great tool for our customers to assist them with budgeting and staying on top of their finances. Also, our unique GF Spirit Debit cards continue to be a hit with our local customer base that join us to promote and support our local schools!

I would like to include a special acknowledgement to long-time Greenville Federal Board member Jim Ward. Jim has been chairman of our board for many years and will retire in May 2021. For more than 40 years Jim has served as a valuable resource for our company and we want to thank him for his years of service. We wish Jim and his wife Sherry all the best in his retirement and look forward to seeing them soon.

In closing, I want to thank all of my GF teammates who are the main reason we are a successful local community bank. These dedicated professional bankers are committed to our customers, our communities, and our mission. I greatly appreciate their continued efforts to provide a level of customer service not found anywhere else. Another group of teammates I would like to acknowledge is our boards of directors. This group of independent individuals allow us to operate with a “community first” approach and their support and guidance are greatly appreciated. As April is Community Bank Appreciation Month, we support and appreciate all of our GF teammates that are working hard to make our communities a better place to work, live and raise a family. We are excited for our future as a leader in the communities we so proudly serve and thank you to our shareholders for your investment in our company.

Sincerely,

Jeff D. Kniese

Jeff D. Kniese, President & CEO

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greenville Federal Financial Corporation
Greenville, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Greenville Federal Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenville Federal Financial Corporation as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe LLP

Crowe LLP

Cleveland, Ohio
April 12, 2021

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2020 and 2019
(In thousands, except shares and per share data)

	2020	2019
ASSETS		
Cash and due from banks	$ 5,978	$ 4,058
Overnight deposits	6,000	19,500
Interest-bearing deposits in other financial institutions	11,188	1,232
Cash and cash equivalents	23,166	24,790
Interest-bearing time deposits in other financial institutions	6,972	996
Securities held-to-maturity, at amortized cost (fair value of $7,477 and $1,533 at December 31, 2020 and 2019, respectively)	7,589	1,612
Loans receivable, net of allowance for loan losses of $1,140 and $978 at December 31, 2020 and 2019, respectively	162,285	158,823
Office properties and equipment, net	3,870	3,659
Operating lease right of use asset	351	496
Stock in Federal Home Loan Bank	711	703
Cash surrender value of life insurance	5,799	5,654
Accrued interest receivable	718	720
Prepaid expenses and other assets	1,319	1,387
Total assets	$ 212,780	$ 198,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
Noninterest-bearing deposits	$ 43,334	$ 29,696
Interest-bearing deposits	144,228	137,549
Total deposits	187,562	167,245
Advances from the Federal Home Loan Bank	-	7,313
Advances by borrowers for taxes and insurance	964	1,003
Operating lease liabilities	358	501
Other liabilities	1,912	952
Total liabilities	190,796	177,014
Common stock – authorized 8,000,000 shares, $.01 par value; 2,298,411 shares issued (2,163,033 and 2,164,546 shares outstanding at December 31, 2020 and 2019)	23	23
Additional paid-in capital	9,288	9,256
Treasury stock, at cost (135,378 and 133,865 shares at December 31, 2020 and 2019)	(1,060)	(1,045)
Retained earnings	14,197	14,134
Unearned Employee Stock Ownership Plan (ESOP) shares	(464)	(542)
Total stockholders' equity	21,984	21,826
Total liabilities and stockholders' equity	$ 212,780	$ 198,840

See accompanying notes.

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2020 and 2019
(In thousands, except per share data)

	2020	2019
Interest income		
Loans	$ 6,850	$ 7,092
Taxable securities	42	9
Tax-exempt securities	21	24
Interest-bearing deposits and other	149	253
Total interest income	7,062	7,378
Interest expense		
Deposits	1,546	1,613
Borrowings	114	160
Total interest expense	1,660	1,773
Net interest income	5,402	5,605
Provision for loan losses	386	67
Net interest income after provision for loan losses	5,016	5,538
Noninterest income		
Customer service charges	731	756
Gain on sale of mortgage loans	1,384	279
Other	129	267
Total noninterest income	2,244	1,302
Noninterest expense		
Employee compensation and benefits	3,415	3,302
Occupancy and equipment	912	842
Franchise taxes	187	182
Data processing	801	785
Loss on sale of other real estate owned	10	–
Other	1,387	1,272
Total noninterest expense	6,712	6,383
Income before federal income taxes	548	457
Federal income taxes		
Current	18	59
Deferred	55	7
Total federal income taxes	73	66
Net income	$ 475	$ 391
Earnings per share, basic	$ 0.23	$ 0.19
Earnings per share, diluted	$ 0.23	$ 0.19

See accompanying notes.

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2020 and 2019
(In thousands, except shares and per share data)

	Common Stock	Treasury Shares	Additional Paid-in Capital	Retained Earnings	Unearned ESOP Shares	Accumulated Other Comprehensive Income, Net	Total
Balance, January 1, 2019	$ 23	$ (861)	$ 9,192	$ 14,065	$ (620)	$ –	$ 21,799
Repurchase of 2,150 common shares from stockholders	–	(23)	–	–	–	–	(23)
Repurchase of 2,958 allocated ESOP shares for employee diversification or separation	–	(28)	–	–	–	–	(28)
Repurchase of 13,000 common shares from related party stockholder	–	(133)	–	–	–	–	(133)
Net income	–	–	–	391	–	–	391
Cash dividends paid of $.28 per share	–	–	–	(322)	–	–	(322)
Allocation of ESOP shares	–	–	18	–	78	–	96
Stock-based compensation expense	–	–	46	–	–	–	46
Balance, December 31, 2019	23	(1,045)	9,256	14,134	(542)	–	21,826
Repurchase of 25 common shares from stockholders	–	(1)	–	–	–	–	(1)
Repurchase of 1,590 allocated ESOP shares for employee diversification or separation	–	(15)	–	–	–	–	(15)
Net income	–	–	–	475	–	–	475
Cash dividends paid of $.28 per share	–	–	–	(412)	–	–	(412)
Transfer of 102 restricted shares to KBW	–	1	(1)	–	–	–	–
Allocation of ESOP shares	–	–	(9)	–	78	–	69
Stock-based compensation expense	–	–	42	–	–	–	42
Balance, December 31, 2020	$ 23	$ (1,060)	$ 9,288	$ 14,197	$ (464)	$ –	$ 21,984

See accompanying notes.

GREENVILLE FEDERAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2020 and 2019
(In thousands)

	2020	2019
Cash flows from operating activities		
Net income	$ 475	$ 391
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and discounts on investment and mortgage-backed securities, net	30	24
Accretion of deferred loan origination fees	(420)	(96)
Proceeds from sale of loans	50,013	20,248
Origination of loans held for sale	(49,006)	(20,121)
Depreciation and amortization	510	455
Amortization of mortgage servicing rights	248	77
Amortization of ESOP expense	69	96
Gain on sale of loans	(1,384)	(279)
Provision for loan losses	386	67
Changes in fair value of mortgage servicing rights	6	123
Loss on sale of real estate acquired through foreclosure	10	18
Deferred tax expense	55	7
Amortization of expense related to stock benefit plans	42	46
Increase in cash surrender value of life insurance	(145)	(147)
Increase (decrease) in cash due to changes in:		
Accrued interest receivable	2	(38)
Prepaid expenses and other assets	167	(188)
Accrued interest payable	(19)	2
Operating lease liabilities	(143)	(136)
Other liabilities	923	(237)
Net cash provided by operating activities	1,819	312
Cash flows used in investing activities		
Proceeds from repayment of mortgage-backed securities	305	259
Purchase of mortgage-backed securities designated as held-to-maturity	(6,387)	–
Proceeds from repayment of municipal obligation designated as held-to-maturity	75	75
Net change in interest-bearing time deposits in other financial institutions	(5,976)	(498)
Loan principal repayments	59,582	32,010
Loan disbursements	(63,041)	(33,633)
Purchase of office premises and equipment	(576)	(805)
Purchase of FHLB Stock	(8)	–
Additions to real estate acquired through foreclosure	–	–
Proceeds from sale of real estate acquired through foreclosure	45	18
Net cash used in investing activities	(15,981)	(2,574)

(Continued)

(In thousands)

	2020	2019
Cash flows provided by financing activities		
Net increase in deposit accounts	20,317	17,865
Repayment of Federal Home Loan Bank advances	(7,313)	(748)
Advances by borrowers for taxes and insurance	(39)	44
Purchase of treasury stock	(15)	(184)
Dividends paid on common stock	(412)	(322)
Net cash provided by financing activities	12,538	16,655
Increase (decrease) in cash and cash equivalents	(1,624)	14,393
Cash and cash equivalents at beginning of year	24,790	10,397
Cash and cash equivalents at end of year	$ 23,166	$ 24,790
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest on deposits and borrowings	1,641	1,771
Federal income taxes	155	30
Supplemental disclosure of noncash activities		
Capitalization of mortgage servicing rights	377	152
Operating lease right-of-use asset	351	637
Operating lease liability	358	637

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include Greenville Federal Financial Corporation ("GFFC") and its wholly owned subsidiary, Greenville Federal, together referred to as "the Corporation." Intercompany transactions and balances are eliminated in consolidation. Greenville Federal MHC, a federally chartered mutual holding company, owns 58.4% of GFFC's outstanding stock.

Nature of Operations: Greenville Federal provides financial services through its main and branch offices in Greenville, Ohio and branch offices in Troy, Ohio and Tipp City, Ohio. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, commercial real estate and consumer loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area.

Subsequent Events: The Corporation has evaluated subsequent events for recognition and disclosure through April 12, 2021, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash and due from banks and interest-bearing deposits in other financial institutions (including the FHLB and the Federal Reserve Bank) with original terms to maturity of less than ninety days. Net cash flows are reported for interest-bearing time deposits, customer deposit transactions and borrowings with original maturities of less than ninety days.

Interest-Bearing Time Deposits in Other Financial Institutions: Interest-bearing time deposits in other financial institutions mature within one year and are carried at cost.

Securities: Available-for-sale debt securities, which include any security for which the Corporation has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Held-to-maturity securities, which include any security for which the Corporation has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts.

Equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are measured at fair value with changes in fair value recognized in net income.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other-Than-Temporary Impairment on Securities: Management evaluates securities for other-than-temporary impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, Management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Loans: Loans held in the portfolio are stated at the principal balance outstanding, adjusted for deferred loan origination fees and costs and the allowance for loan losses. Interest is accrued as earned unless the collectability of the loan is in doubt. Interest on loans that are contractually past due is charged off, or an allowance is established based on management's periodic evaluation. The allowance is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments has returned to normal, in which case the loan is returned to accrual status.

All loan origination fees received, net of certain direct origination costs, are deferred on a loan-by-loan basis and amortized to interest income using the interest method, giving effect to actual loan prepayments. Loan origination costs represent the direct costs attributable to originating a loan, i.e., principally actual personnel costs.

The Corporation's lending efforts have historically focused on one- to four-family and multi-family residential real estate loans. In recent years, commercial real estate and commercial lending has become more significant. The preponderance of real estate loans have been underwritten on the basis of no more than an 80% loan-to-value ratio, which has historically provided the Corporation with adequate collateral coverage in the event of default. Nevertheless, the Corporation, as with any lending institution, is subject to the risk that real estate values could deteriorate in its primary lending area of west central Ohio, thereby impairing collateral values.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Loans Held for Sale: Loans held for sale are carried at the lower of cost or fair value, determined in the aggregate. In computing cost, deferred loan origination fees are deducted from the principal balances of the related loans.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses: It is the Corporation's policy to provide valuation allowances for probable incurred losses on loans based upon past loss experience, trends in the level of delinquent and specific problem loans, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current and anticipated economic conditions in the primary market area. Major loans and major lending areas are reviewed periodically to determine potential problems at an early date. The allowance for loan losses is increased by charges to earnings and decreased by charge-offs (net of recoveries).

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is defined as impaired when, based on current information and events, it is probable that the Corporation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate or, as an alternative, at the loan's observable market price or fair value of the collateral. It is the Corporation's policy to charge off loans when uncollectibility of a loan is confirmed. Unsecured loans are charged off if they are more than 120 days delinquent. Similarly, collateral dependent loans which are more than ninety days delinquent are considered to constitute more than a minimum delay in repayment and are evaluated for impairment at that time.

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Troubled debt restructurings are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For troubled debt restructurings that subsequently default, the Corporation determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component of the allowance covers loans that are collectively evaluated for impairment and loans that are individually evaluated but not considered impaired. The general allowance is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Corporation over the most recent 3 years. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified:

Construction Real Estate Loans: Construction real estate loans represent loans for the construction of a residence or commerical property. The risks are similar to residential real estate and commercial loans but include additional risk should construction costs exceed budget. Construction progress is monitored through periodic inspections to ensure construction draws are consistent with the percentage of completion.

Residential Real Estate Loans: Residential real estate loans represent loans to consumers for the purchase, refinance, or improvement of a residence. These loans also include variable rate home equity lines of credit. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values may impact the severity of losses. Factors considered by management include unemployment levels and residential real estate values in the Corporation's market area.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commercial Real Estate Loans: Commercial real estate loans are subject to underwriting standards and processes similar to commercial loans. These loans are viewed primarily as cash flow loans and the repayment of these loans is largely dependent on the successful operation of the property. Loan performance may be adversely affected by factors impacting the general economy or conditions specific to the real estate market such as geographic location and property types. Management specifically considers vacancy rates in its market area, as well as real estate values and, to a lesser extent, unemployment and energy prices.

Land Loans: Land loans include loans to develop vacant or raw land and are made to various builders and developers with whom the Corporation has had long-standing relationships. All such loans are secured by land zoned for residential or commerical developments and located within the Corporation’s market area.

The Corporation also makes loans to individuals who purchase and hold land for various reasons, such as the future construction of a residence. Land lending is considered to involve a higher level of credit risk due to the fact that funds are advanced upon the security of the land, which is of uncertain value prior to its development.

Commercial Loans: Commercial credit is extended to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business in the Corporation’s primary market area. These loans are generally underwritten individually and secured with the assets of the company and the personal guarantee of the business owners. Commercial loans are made based primarily on the basis of the borrower’s ability to make repayment from the historical and projected cash flow of the borrower’s business and the underlying collateral provided by the borrower. Management specifically considers unemployment, energy prices and, to a lesser extent, real estate values and vacancies in the Corporation’s market area.

Consumer Loans: Consumer loans are primarily comprised of secured loans including automobile loans, loans on savings deposits and home improvement loans, and to a lesser extent unsecured personal loans. These loans are underwritten based on several factors including debt to income, type of collateral and loan to collateral value, credit history and relationship with the borrower. Unemployment rates and energy prices are specifically considered by management.

<u>Servicing Assets</u>: Servicing rights are recognized separately when they are acquired through sales of loans. When mortgage loans are sold, servicing rights are intitally recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively is based on a valuation model that calculates the present of estimated future net servicing income.

Under the fair value measurement method, the Company measures servicing rights at fair value at each reporting date and reports changes in fair value of servicing assets in earnings in the period in which the changes occur, and are included with other noninterest expense on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as other noninterest income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosed Assets: Real estate acquired through foreclosure is transfered at fair value less estimated selling expenses at the date of acquisition. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Real estate loss provisions are recorded if the properties' fair value subsequently declines below the value determined at the transfer date. In determining the fair value at acquisition, costs relating to development and improvement of property are considered. Costs relating to holding real estate acquired through foreclosure, net of rental income, are charged against earnings as incurred.

Premises and Equipment: Office premises and equipment are carried at cost less accumulated depreciation and include expenditures which extend the useful lives of existing assets. Maintenance, repairs and minor renewals are expensed as incurred. For financial reporting, depreciation and amortization are provided on the straight-line method over the useful lives of the assets, estimated to be forty years for buildings, three to ten years for furniture and equipment, the lesser of the useful life or lease term for leasehold improvements, and five years for automobiles. Improvements are depreciated over their individual useful lives.

Investment in Federal Home Loan Bank Stock: Greenville Federal is required, as a condition of membership in the Federal Home Loan Bank of Cincinnati ("FHLB"), to maintain an investment in FHLB common stock. The stock is redeemable at par and, therefore, its cost is equivalent to its redemption value. Greenville Federal's ability to redeem FHLB shares is dependent on the redemption practices of the FHLB.

At December 31, 2020, the FHLB placed no restrictions on redemption of shares in excess of a member's required investment in the stock.

Company Owned Life Insurance: The Corporation has purchased life insurance policies on certain key executives. Company owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to employees and directors, based on fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards.

Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Corporation recognizes interest and/or penalties related to income tax matters in income tax expense.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans: Employee 401(k) expense is the amount of matching contributions. Deferred compensation plan expense allocates the benefits over the years of service.

Employee Stock Ownership Plan: The cost of shares issued to the Employee Stock Ownership Plan ("ESOP"), but not yet allocated to participants, is shown as a reduction of stockholders' equity. Compensation expense is based on the fair value of shares as they are committed to be released to participant accounts. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce debt and accrued interest. Participants may exercise a put option and require the Corporation to repurchase their ESOP shares upon termination of employment.

Earnings Per Common Share: Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period, less shares in the Corporation's ESOP that are unallocated and not committed to be released and unearned restricted stock awards. Diluted earnings per share includes the dilutive effect of potential common shares issuable under stock options.

For the fiscal year ended December 31, 2020, weighted-average shares outstanding were computed as follows: (1) 2,164,518 average shares were outstanding for the period from January 1, 2020 through December 31, 2020, (2) 58,500 weighted-average shares in the ESOP that were unallocated and not committed to be released were not considered outstanding for the fiscal year ended December 31, 2020, and (3) average unearned restricted stock awards of 7,300 were not considered outstanding. Weighted-average shares outstanding totaled 2,098,718 for the fiscal year ended December 31, 2020. Diluted earnings per common share include the dilutive effect of all additional potential common shares issuable. Weighted-average shares outstanding for purposes of computing diluted earnings per share totaled 2,098,718 for the fiscal year ended December 31, 2020. 56,242 outstanding stock options were not considered in computing diluted earnings per share because they were antidilutive.

For the fiscal year ended December 31, 2019, weighted-average shares outstanding were computed as follows: (1) 2,169,468 average shares were outstanding for the period from January 1, 2019 through December 31, 2019, (2) 67,500 weighted-average shares in the ESOP that were unallocated and not committed to be released were not considered outstanding for the fiscal year ended December 31, 2019, and (3) 48 weighted-average shares acquired for the 2006 Equity Plan that were not awarded were treated as treasury shares and not considered outstanding, and (4) average unearned restricted stock awards of 9,411. Weighted-average shares outstanding totaled 2,092,509 for the fiscal year ended December 31, 2019. Diluted earnings per common share include the dilutive effect of all additional potential common shares issuable. Weighted-average shares outstanding for purposes of computing diluted earnings per share which included 5,098 additional shares related to stock options and 1,091 additional shares related to restricted stock awards, totaled 2,098,698 for the fiscal year ended December 31, 2019. 8,800 outstanding stock options were not considered in computing diluted earnings per share because they were antidilutive.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which are also recognized as separate components of equity. The Corporation had no other comprehensive income during 2020 and 2019.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restrictions on Cash: Cash on hand or deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements. These balances do not earn interest.

Dividend Restricton: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to stockholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Reclassifications: Reclassification of certain amounts in the prior years consolidated financial statements have been made to conform to the current presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Corporation only has operating leases currently. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Corporation uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Corporation's incremental borrowing rate is based on FHLB amortizing advance rate, adjusted for the lease term and other factors.

COVID-19: In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. In March 2020, the outbreak of the Coronavirus Disease 2019 (COVID-19) was recognized as a pandemic by the World Health Organization. The spread of COVID-19 has caused economic and social disruption resulting in unprecedented uncertainty, volatility and disruption in financial markets, and has placed significant health, economic and other major pressures throughout the communities we serve. While some industries have been impacted more severely than others, all businesses have been impacted to some degree. This disruption has resulted in the shuttering of businesses across the country, significant job loss, material decreases in oil and gas prices and in business valuations, changes in consumer behavior related to pandemic fears, and aggressive measures by the federal government. The operations and results of the corporation could still be materially affected and significant estimates may be materially impacted by local, state, national restrictions and events designed to contain the virus. As of the period ended December 31, 2020, the Corporation's operating results were not materially adversely impacted.

The Coronavirus Aid, Relief, and Economic Security Act: In response to the COVID-19 pandemic, the CARES Act was signed into law on March 27, 2020 to provide national emergency economic relief measures. Many of the CARES Act's programs are dependent upon the direct involvement of U.S. financial institutions, such as the Corporation and the Bank, and have been implemented through rules and guidance adopted by federal departments and agencies, including the U.S. Department of Treasury, the Federal Reserve and other federal banking agencies, including those with direct supervisory jurisdiction over the Corporation and the Bank. Furthermore, federal regulatory authorities continue to issue additional guidance with respect to the CARES Act programs as well as industry-specific recovery procedures for COVID-19. It is possible that Congress will enact supplementary COVID-19 response legislation, including amendments to the CARES Act or new bills comparable in scope to the CARES Act. The Corporation continues to assess

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the impact of the CARES Act and other statues, regulations and supervisory guidance related to the COVID-19 pandemic.

Paycheck Protection Program. The CARES Act amended the SBA's loan program, in which the Bank participates, to create a guaranteed, unsecured loan program, the PPP, to fund operational costs of eligible businesses, organizations and self-employed persons during COVID-19. In June 2020, the Paycheck Protection Program Flexibility Act was enacted, which among other things, gave borrowers additional time and flexibility to use PPP loan proceeds. Shortly thereafter, and due to the evolving impact of the COVID-19 pandemic, additional legislation was enacted authorizing the SBA to resume accepting PPP applications on July 6, 2020 and extending the PPP application deadline to August 8, 2020. On December 21, 2020 another COVID-19 relief bill, the Consolidated Appropriations Act, was signed into law. It provides additional aid for small businesses with the ability to apply for a second PPP loan. As a participating lender in the PPP, the Bank continues to monitor legislative, regulatory, and supervisory developments related thereto.

Troubled Debt Restructuring and Loan Modifications for Affected Borrowers. The CARES Act permits banks to suspend requirements under GAAP for loan modifications to borrowers affected by COVID-19 that would otherwise be characterized as TDRs and suspend any determination related thereto if (i) the loan modification is made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 emergency declaration and (ii) the applicable loan was not more than 30 days past due as of December 31, 2019. The federal banking agencies also issued guidance to encourage banks to make loan modifications for borrowers affected by COVID-19 and to assure banks that they will not be criticized by examiners for doing so. The Corporation is applying this guidance to qualifying loan modifications. See Note 3 to the "Notes to Consolidated Financial Statements," which includes further information about the COVID-19-related loan modifications completed by the Corporation.

NOTE 2 –SECURITIES

The amortized cost, gross unrecognized gains, gross unrecognized losses and estimated fair value of securities held to maturity at December 31, 2020 and 2019 were as follows (in thousands):

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
December 31, 2020				
Federal Home Loan Mortgage Corporation participation certificates	$ 182	$ –	$ 30	$ 152
Federal National Mortgage Association participation certificates	3,432	3	58	3,377
Government National Mortgage Association participation certificates	3,120	1	35	3,086
Municipal obligations	855	7	–	862
	$ 7,589	$ 11	$ 123	$ 7,477
December 31, 2019				
Federal Home Loan Mortgage Corporation participation certificates	$ 255	$ –	$ 35	$ 220
Federal National Mortgage Association participation certificates	390	3	51	342
Government National Mortgage Association participation certificates	30	1	–	31
Municipal obligations	937	3	–	940
	$ 1,612	$ 7	$ 86	$ 1,533

The amortized cost and estimated fair values of securities held to maturity at December 31, 2020, by contractual term to maturity, are shown below (in thousands). Actual maturities will differ from contractual maturities because borrowers may generally prepay obligations without prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 80	$ 80
Due after one year through five years	636	636
Due after five years through ten years	550	490
Due after ten years	6,323	6,271
	$ 7,589	$ 7,477

(Continued)

NOTE 2 –SECURITIES (Continued)

The tables below indicate the length of time individual securities have been in a continuous unrecognized loss position at December 31, 2020 and 2019, respectively (in thousands):

Held-to-Maturity	Less than 12 Months		12 Months or More		Total	
December 31, 2020	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Federal Home Loan Mortgage Corporation participation certificates	$ 1	$ –	$ 150	$ 30	$ 151	$ 30
Federal National Mortgage Association participation certificates	3,166	18	185	40	3,351	58
Government National Mortgage Association participation certificates	3,062	35	1	–	3,063	35
Municipal obligations	–	–	–	–	–	–
Total held-to-maturity	$ 6,228	$ 53	$ 336	$ 70	$ 6,565	$ 123

Held-to-Maturity	Less than 12 Months		12 Months or More		Total	
December 31, 2019	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss	Fair Value	Unrecognized Loss
Federal Home Loan Mortgage Corporation participation certificates	$ 1	$ –	$ 218	$ 35	$ 219	$ 35
Federal National Mortgage Association participation certificates	1	–	307	51	308	51
Government National Mortgage Association participation certificates	–	–	1	–	1	–
Municipal obligations	–	–	–	–	–	–
Total held-to-maturity	$ 2	$ –	$ 526	$ 86	$ 528	$ 86

The Corporation's investments are generally limited to issuances of U.S. Government, government agencies, government sponsored entities, municipalities and other high quality debt instruments. At December 31, 2020, based on evaluation of available evidence, including changes in market interest rates, credit rating information and information obtained from regulatory filings, management believed the declines in fair value for these securities were temporary. As such, unrealized losses on securities have not been recognized into income because the issuers bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions since the time of purchase. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

There were no securities sold during 2020 or 2019.

There were no securities pledged at December 31, 2020 and 2019. Securities eligible to be pledged at December 31, 2020 and 2019 had a carrying amount of $7,589,000 and $1,612,000, respectively.

(Continued)

NOTE 3 – LOANS

The composition of the loan portfolio at December 31, 2020 and 2019 was as follows (in thousands):

	2020	2019
Construction real estate	$ 21,991	$ 12,118
Residential real estate	100,468	103,086
Commercial real estate	34,850	30,342
Land	1,364	1,577
Commercial	22,069	16,692
Consumer	1,450	1,625
Total loans	182,192	165,440
Less:		
Deferred loan origination fees, net	441	248
Allowance for loan losses	1,140	978
Undisbursed portion of loans in process	18,326	5,391
Net loans	$ 162,285	$ 158,823

(Continued)

NOTE 3 – LOANS (Continued)

Mortgage loans serviced for others are not reported as assets. The principal balance of these loans at December 31, 2020 and 2019 was approximately $78.3 million and $62.0 million, respectively. Servicing rights, included in prepaid expenses and other assets, associated with the serviced loans totaled $724,000 and $601,000 at December 31, 2020 and 2019, respectively.

The following table presents the activity in the allowance for loan losses by portfolio segment for the years ending December 31, 2020 and 2019 (in thousands):

December 31, 2020	Construction Real Estate	Residential Real Estate	Commercial Real Estate	Land	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 42	$ 603	$ 160	$ 9	$ 141	$ 23	$ –	$ 978
Provision for loan losses	24	102	79	–	168	13	–	386
Loans charged-off	–	(56)	–	–	(168)	(27)	–	(251)
Recoveries	–	15	–	–	4	8	–	27
Total ending allowance balance	$ 66	$ 664	$ 239	$ 9	$ 145	$ 17	$	$ 1,140

December 31, 2019	Construction Real Estate	Residential Real Estate	Commercial Real Estate	Land	Commercial	Consumer	Unallocated	Total
Allowance for loan losses:								
Beginning balance	$ 48	$ 622	$ 141	$ 10	$ 85	$ 18	$ –	$ 924
Provision for loan losses	(6)	(19)	19	(1)	52	22	–	67
Loans charged-off	–	–	–	–	–	(40)	–	(40)
Recoveries	–	–	–	–	4	23	–	27
Total ending allowance balance	$ 42	$ 603	$ 160	$ 9	$ 141	$ 23	$ –	$ 978

(Continued)

NOTE 3 – LOANS (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of December 31, 2020 and 2019 (in thousands). It was not practical to add accrued interest or unamortized deferred loan fees for the portfolio segments.

December 31, 2020	Construction Real Estate	Residential Real Estate	Commercial Real Estate	Land	Commercial	Consumer	Total
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ –	$ 1	$ 50	$ –	$ –	$ –	$ 51
Collectively evaluated for impairment	66	663	189	9	145	17	1,089
Total ending allowance balance	$ 66	$ 664	$ 239	$ 9	$ 145	$ 17	$ 1,140
Loans:							
Loans individually evaluated for impairment	$ –	$ 376	$ 1,580	$ –	$ –	$ –	$ 1,956
Loans collectively evaluated for impairment	10,017	100,092	27,017	1,364	21,970	1,450	161,910
Total ending loan balance	$ 10,017	$ 100,468	$ 28,597	$ 1,364	$ 21,970	$ 1,450	$ 163,866
December 31, 2019							
Allowance for loan losses:							
Ending allowance balance attributable to loans:							
Individually evaluated for impairment	$ –	$ 45	$ –	$ –	$ 50	$ –	$ 95
Collectively evaluated for impairment	42	558	160	9	91	23	883
Total ending allowance balance	$ 42	$ 603	$ 160	$ 9	$ 141	$ 23	$ 978
Loans:							
Loans individually evaluated for impairment	$ –	$ 766	$ 1,197	$ –	$ 463	$ –	$ 2,426
Loans collectively evaluated for impairment	7,740	102,106	28,346	1,577	16,229	1,625	157,623
Total ending loan balance	$ 7,740	$ 102,872	$ 29,543	$ 1,577	$ 16,692	$ 1,625	$ 160,049

(Continued)

NOTE 3 – LOANS (Continued)

The following table presents information related to impaired loans by class of loans as of and for the years ended December 31, 2020 and 2019 (in thousands):

	Unpaid Principal Balance	Recorded Investment	Allowance for Loan Losses Allocated	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Recognized
December 31, 2020						
With no related allowance recorded:						
Residential real estate:						
1-4 family residential	$ 348	$ 348	$ –	$ 470	$ 36	$ 36
Commercial real estate:						
Commercial real estate	1,034	1,034	–	1,058	47	47
Multi-family residential	115	115		117	5	5
Commercial	–	–	–	127	5	5
Subtotal	1,497	1,497	–	1,772	93	93
With an allowance recorded:						
Residential real estate:						
1-4 family residential	$ 28	$ 28	$ 1	$ 30	$ 2	$ 2
Commercial real estate:						
Commercial real estate	431	431	50	453	20	20
Subtotal	459	459	51	483	22	22
Total	$ 1,956	$ 1,956	$ 51	$ 2,255	$ 115	$ 115
December 31, 2019						
With no related allowance recorded:						
Residential real estate:						
1-4 family residential	$ 603	$ 603	$ –	$ 445	$ 37	$ 37
Commercial real estate:						
Commercial real estate	1,077	1,077	–	615	68	68
Multi-family residential	120	120	–	60	5	5
Commercial	235	235	–	117	13	12
Subtotal	2,035	2,035	–	1,237	123	122
With an allowance recorded:						
Residential real estate:						
1-4 family residential	$ 163	$ 163	$ 45	$ 128	$ 11	$ 9
Commercial	228	228	50	174	14	9
Subtotal	391	391	95	302	25	18
Total	$ 2,426	$ 2,426	$ 95	$ 1,539	$ 148	$ 140

The recorded investment excludes accrued interest receivable and unearned loan origination fees due to immateriality.

(Continued)

NOTE 3 – LOANS (Continued)

The following table presents the recorded investment in nonaccrual and loans past due over 90 days still on accrual by class of loans as of December 31, 2020 and 2019 (in thousands):

	Nonaccrual		Loans Past Due Over 90 Days Still Accruing	
	2020	2019	2020	2019
Residential real estate:				
1-4 family residential	$ 190	$ 361	$ –	$ –
Commercial real estate	115	–	–	–
Land	–	–	–	–
Commercial	–	228	–	–
Consumer				
Auto	–	–	–	–
Other	–	–	–	–
Total	$ 305	$ 589	$ –	$ –

The following table presents the aging of the recorded investment in past due loans as of December 31, 2020 and 2019 by class of loans (in thousands):

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2020						
Construction real estate	$ –	$ –	$ –	$ –	$ 10,017	$ 10,017
Residential real estate:						
1-4 family residential	70	61	190	321	94,013	94,334
Home equity line of credit	–	–	–	–	6,134	6,134
Commercial real estate:						
Commercial real estate	–	–	–	–	20,234	20,234
Multi-family residential	115	–	–	115	8,248	8,363
Land	–	–	–	–	1,364	1,364
Commercial	–	–	–	–	21,970	21,970
Consumer:						
Auto	–	–	–	–	835	835
Other	–	–	–	–	615	615
Total	$ 185	$ 61	$ 190	$ 436	$ 163,430	$ 163,866
December 31, 2019						
Construction real estate	$ –	$ –	$ –	$ –	$ 7,740	$ 7,740
Residential real estate:						
1-4 family residential	93	11	361	465	97,580	98,045
Home equity line of credit	–	–	–	–	4,827	4,827
Commercial real estate:						
Commercial real estate	–	–	–	–	22,287	22,287
Multi-family residential	–	–	–	–	7,256	7,256
Land	–	–	–	–	1,577	1,577
Commercial	–	–	228	228	16,464	16,692
Consumer:						
Auto	–	–	–	–	947	947
Other	–	–	–	–	678	678
Total	$ 93	$ 11	$ 589	$ 693	$ 159,356	$ 160,049

(Continued)

NOTE 3 – LOANS (Continued)

Troubled Debt Restructurings:

As of December 31, 2020 and 2019, the Corporation has a recorded investment in troubled debt restructurings of $92,000 and $186,000. The Corporation had $1,000 in specific reserves allocated to customers whose loan terms had been modified in troubled debt restructurings as of December 31, 2020. The Corporation had $13,000 in specific reserves allocated to customers whose loan terms had been modified in troubled debt restructurings as of December 31, 2019. The Corporation has not committed to lend additional amounts as of December 31, 2020 and 2019 to customers with outstanding loans that are classified as troubled debt restructurings.

There were not any loans that were modified as trouble debt restructurings during the year ended December 31, 2020. There was one troubled debt restructured loan that was refinanced during the year ended December 31, 2019. During these same years there were no material troubled debt restructurings for which there was a payment default within twelve months following the modification.

A loan is considered to be in payment default once it is 30 days contractually past due under the modified terms.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the company’s internal underwriting policy.

Additionally, the Corporation is working with borrowers impacted by COVID-19 and providing modifications to include interest only deferral or principal and interest deferral. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators. As of December 31, 2020, the Corporation modified 4 loans with outstanding balances of $668,000.

(Continued)

NOTE 3 – LOANS (Continued)

Credit Quality Indicators:

The Corporation categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Corporation analyzes loans individually by classifying the loans as to credit risk. This analysis includes loan relationships greater than $250,000 and non-homogenous loans, such as commercial and commercial real estate loans. This analysis is performed on an annual basis. The Corporation uses the following definitions for risk ratings:

Special Mention. Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard. Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss. Loans or a portion thereof classified as losses considered uncollectible and of such little value that its continuance as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. This classification does not necessarily mean that an asset has absolutely no recovery or salvage value; but rather, it is not practical or desirable to defer writing off a basically worthless asset (or portion) even though partial recovery may be affected in the future.

(Continued)

NOTE 3 – LOANS (Continued)

Loans not meeting the above criteria that are analyzed individually as part of the above described process are considered to be pass rated loans.

Loans listed as not rated are performing or are included in groups of homogeneous loans. As of December 31, 2020 and 2019, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Not Rated
December 31, 2020						
Construction real estate	$ 6,907	$ –	$ –	$ –	$ –	$ 3,110
Residential real estate:						
1-4 family real estate	10,758	105	311	–	–	83,160
Home equity line of credit	630		–	–	–	5,504
Commercial real estate:						
Commercial real estate	14,894	2,403	1,465	–	–	1,472
Multi-family residential	7,797	–	–	115	–	451
Land	770	–	–	–	–	594
Commercial	18,290	2,124	–	–	–	1,556
Consumer:						
Auto	5	–	–	–	–	830
Other	211	–	–	–	–	404
Total	$ 60,262	$ 4,632	$ 1,776	$ 115	$ –	$ 97,081
December 31, 2019						
Construction real estate	$ 6,335	$ –	$ –	$ –	$ –	$ 1,405
Residential real estate:						
1-4 family real estate	9,216	305	613	–	–	87,911
Home equity line of credit	445	–	–	–	–	4,382
Commercial real estate:						
Commercial real estate	15,225	–	1,077	–	–	5,985
Multi-family residential	6,667	–	–	119	–	470
Land	493	–	–	–	–	1,084
Commercial	14,242	29	235	228	–	1,958
Consumer:						
Auto	7	–	–	–	–	940
Other	225	–	–	–	–	453
Total	$ 52,855	$ 334	$ 1,925	$ 347	$ –	$ 104,588

The Corporation also evaluates the credit quality of homogenous loans by delinquency status, which has been previously disclosed.

Loans to executive officers, directors and companies with which they are affiliated totaled $1,630,000 and $627,000 at December 31, 2020 and 2019.

NOTE 4 – OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment at December 31, 2020 and 2019 was as follows (in thousands):

	2020	2019
Land	$ 1,323	$ 1,214
Leasehold improvements	547	547
Buildings and improvements	3,162	2,822
Furniture and equipment	2,214	2,107
Vehicles	44	44
	7,290	6,734
Less accumulated depreciation and amortization	(3,420)	(3,075)
Net office properties and equipment	$ 3,870	$ 3,659

Depreciation expense was $365,000 and $314,000 for 2020 and 2019.

NOTE 5 – LEASES

Lessee Arrangements

The Corporation's operating lease right-of-use ("ROU") assets and operating lease liabilities represent leases for two banking center locations. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The lease expense for these leases are recorded on a straight-line basis over the lease term. Leases with initial terms in excess of 12 months are recorded as either operating or financing leases on the consolidated balance sheet. The Corporation has no finance lease arrangements. Operating leases have remaining lease terms terms ranging from 2.0 years to 2.75 years, some of which include options to extend the leases for up to 10 years. Operating lease ROU assets and operating lease liabilities are valued based on the present value of future minimum lease payments, discounted with an incremental borrowing rate for the same term as the underlying lease.

Right-of-use assets and lease liabilities by lease type, and the associated balance sheet classifications, are as follows (in thousands):

	Balance Sheet Classification	December 31, 2020	December 31, 2019
Right-of-use assets:			
Operating leases	Operating lease right of use asset	$ 351	$ 496
Total right-of-use assets		$ 351	$ 496
Lease liabilities:			
Operating leases	Operating lease liabilities	$ 358	$ 501
Total lease liabilities		$ 358	$ 501

(Continued)

NOTE 5 – LEASES (Continued)

Lease Expense

The components of total lease cost were as follows for the period ending (in thousands):

	December 31, 2020	December 31, 2019
Operating lease cost	$ 158	$ 158
Total lease cost, net	$ 158	$ 158

Total rent expense for the year ending December 31, 2020 was $156,000.

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2020 are as follows:

Year ending December 31,	(in thousands)
2021	$ 160
2022	162
2023	47
2024	–
2025	–
Total undiscounted lease payments	369
Less: imputed interest	(11)
Net lease liabilities	$ 358

Supplemental Lease Information

	December 31, 2020	December 31, 2019
Operating lease weighted average remaining lease term (years)	2.4 years	3.4 years
Operating lease weighted average discount rate	2.94%	2.94%

NOTE 6 – FEDERAL INCOME TAXES

The provision for federal income taxes differs from that computed at the statutory corporate rate (21%) for the years ended December 31, 2020 and 2019 as follows (in thousands):

	2020	2019
Federal income taxes computed at 21% statutory rate for 2020 and 2019 respectively	$ 115	$ 96
Increase (decrease) in taxes resulting from:		
Increase in cash surrender value of life insurance	(39)	(38)
Change in valuation allowance on deferred tax assets	–	(153)
Expiration of capital loss carryforwards	–	175
Other	(3)	(14)
Federal income taxes	$ 73	$ 66
Effective rate of tax	13.4%	14.5%

The composition of the Corporation's net deferred tax asset (liability) at December 31 was as follows (in thousands):

	2020	2019
Taxes (payable) refundable on temporary differences at statutory rate:		
Deferred tax liabilities		
Federal Home Loan Bank stock dividends	$ (60)	$ (60)
Difference between book and tax depreciation	(155)	(96)
Lease right of use asset	(74)	(104)
Mortgage servicing rights	(152)	(126)
Total deferred tax liabilities	(441)	(386)
Deferred tax assets		
General loan loss allowance	234	200
Deferred loan origination fees	58	49
Nonaccrual loan interest	1	3
Lease liability	75	105
Contribution carry-forward	23	13
Accrued compensation	38	45
Equity based compensation	15	19
Other	16	26
Total deferred tax assets, net	460	460
Net deferred tax asset	$ 19	$ 74

(Continued)

NOTE 6 – FEDERAL INCOME TAXES (Continued)

Prior to 1997, the Corporation was allowed a special bad debt deduction generally limited to 8% of otherwise taxable income and subject to certain limitations based on aggregate loans and deposit account balances at the end of the year. If the amounts that previously qualified as deductions for federal income taxes are later used for purposes other than bad debt losses, including distributions in liquidation, such distributions will be subject to federal income taxes at the then current corporate income tax rate. Retained earnings at December 31, 2019, include approximately $1.8 million for which federal income taxes have not been provided. The amount of unrecognized deferred tax liability relating to the cumulative bad debt deduction was approximately $378,000 at December 31, 2020. Management believes that it is more likely than not that the results of future operations, as integrated with the reversal of deferred tax benefits, will generate sufficient taxable income to realize reported deferred tax assets.

At December 31, 2020 and 2019 the Corporation had no unrecognized tax benefits. The Corporation does not expect the amount of unrecognized tax benefits to increase substantially in the next twelve months. There were no amounts recognized for penalties or interest in the income statement for the years ended December 31, 2020 and 2019 nor any amounts accrued for interest and penalties at December 31, 2020 and 2019.

The Corporation and its subsidiary are subject to U.S. federal income tax. The Corporation is no longer subject to examination by federal taxing authorities for tax years prior to 2017. The years 2017-2019 remain open to examination by U.S. taxing authorities.

NOTE 7 – DEPOSITS

The Corporation had certificate of deposit accounts with balances in excess of $250,000 totaling approximately $32.7 million and $40.2 million at December 31, 2020 and 2019, respectively. Deposits in excess of $250,000 are not insured by the FDIC. Related party deposits were $1.7 million and $1.2 million at December 31, 2020 and 2019.

Maturities of certificate of deposit accounts as of December 31 were as follows (in thousands):

2021	$ 40,531
2022	16,675
2023	5,523
2024	10,595
2025	4,478
Thereafter	843
	$ 78,645

The Corporation had public deposits of $32.7 million, deposits through listing services of $6.2 million, and reciprocal deposits of $4.7 million at December 31, 2020. The Corporation had public deposits of $40.0 million, deposits through listing services of $6.2 million, and reciprocal deposits of $4.8 million at December 31, 2019.

NOTE 8 – BORROWED FUNDS

Advances from the Federal Home Loan Bank at December 31, 2020 and 2019 were as follows (in thousands):

	2020	2019
Fixed rate advances with rates ranging from 2.07% to 2.59%, maturities ranging from August 2020 to September 2022 for December 2019	$ –	$ 5,000
Select pay mortgage-matched advances with rates ranging from 0.99% to 2.97%, maturities ranging from April 2023 to February 2029 for December 2019	–	2,313
Balance at end of year	$ –	$ 7,313

During the year ended December 31, 2020, the Corporation paid off all outstanding advances and incurred a pre-payment penalty of $173,000.

Fixed rate advances are payable at the maturity date and subject to prepayment penalties. The select pay mortgage-matched advances require monthly principal and interest payments and annual additional principal payments. The constant monthly payment amortizing advance requires constant monthly principal and interest payments to fully amortize the advance at maturity.

Advances under the borrowing agreements were collateralized by the Corporation's FHLB stock owned and a blanket pledge of qualifying mortgage loans at year-end 2020. Based upon this collateral and the Corporation's holdings of FHLB stock, the Corporation can borrow an additional $30.6 million at December 31, 2020.

The Corporation has a line of credit with the FHLB of $43.0 million that can be used to guarantee public deposits over the FDIC insurance limit of $250,000. At both December 31, 2020 and 2019, the Corporation had letters of credit outstanding for $41.5 million to guarantee such deposits. There are no rates associated with these letters of credit.

NOTE 9 – BENEFIT PLANS

The Corporation has a contributory 401(k) plan which covers substantially all employees. Eligible participants of the plan may make voluntary contributions up to 25% of annual compensation. Employer contributions to the plan are required in an amount equal to 100% of the employees' contributions, not to exceed 6% of the employees' eligible salary level. The expense for this plan totaled approximately $121,000 and $102,000 for the years ended December 31, 2020 and 2019, respectively.

(Continued)

NOTE 9 – BENEFIT PLANS (Continued)

The Corporation has an employee stock ownership plan ("ESOP") which provides retirement benefits for substantially all full-time employees who are credited with at least 1,000 hours of service on the last day of the 12-month period beginning on their employment commencement date or, to the extent necessary, the last day of any plan year thereafter beginning with the plan year that includes the first anniversary of the employee's commencement date. The plan year runs from January 1 through December 31. In conjunction with the reorganization of Greenville Federal into a mutual holding company structure in 2006, the ESOP acquired 90,098 shares of Corporation common stock at $10.00 per share with funds provided by a loan from the Corporation. The final allocation of these shares occurred in 2015. During the fiscal year ended December 31, 2017, the ESOP borrowed $774,000 from the Corporation and purchased 90,000 shares from the Corporation's treasury stock at $8.60 per share. Shares are released to participants' accounts proportionately as the loan is repaid. Dividends on allocated shares are recorded as dividends and charged to retained earnings. Dividends on unallocated shares used to repay the ESOP note reduce debt and accrued interest. The Corporation recognizes compensation expense equal to the fair value of ESOP shares allocated to participants during the fiscal year. Allocation of shares to the ESOP participants are contingent upon the repayment of a loan to the Corporation totaling $497,000 and $570,000 at December 31, 2020 and 2019, which is eliminated in consolidation. The Corporation recorded expense for the ESOP of approximately $69,000 and $96,000 for the years ended December 31, 2020 and 2019. Contributions to the ESOP during the plan years ending December 31, 2020 and 2019 which includes dividends on unallocated shares totaled $94,000, each year.

	2020	2019
Allocated shares	77,535	84,037
Unallocated shares	54,000	63,000
Total ESOP shares	131,535	147,037
Fair value of unallocated shares (in thousands)	$ 367	$ 693

The Corporation is obligated at the option of each beneficiary to repurchase shares of the ESOP upon the beneficiary's termination or after retirement. During the year ended December 31, 2020, 598 shares were repurchased from former employees and 992 shares were repurchased from current employees in an ESOP diversification transaction. During the year ended December 31, 2019, 2,822 shares were repurchased from former employees and 136 shares were repurchased from current employees in an ESOP diversification transaction. At December 31, 2020, the fair value of the 77,535 allocated shares held by the ESOP was approximately $527,000. At December 31, 2019, the fair value of the 84,037 allocated shares held by the ESOP was approximately $924,000. These amounts represent the repurchase obligation of the Corporation.

Beginning in July 2019, the Corporation started a deferred compensation plan that covers the President and CEO. Under the plan, the Corporation pays the participant, or beneficiary, the amount of fees deferred plus interest over 11 years, beginning with the individual's termination of service. A liability is accrued for the obligation under these plans. The 2020 expense incurred for the deferred compensation was $33,936 resulting in a deferred compensation liability of $50,142 compensation as of the year ending December 31, 2020. The 2019 expense incurred for the deferred compensation was $16,206 resulting in a deferred compensation liability of $16,206 compensation as of the year ending December 31, 2019.

(Continued)

NOTE 10 – STOCK-BASED COMPENSATON PLANS

The 2006 Equity Plan, which was approved by stockholders on October 31, 2006, permitted the grant of up to 112,622 options to purchase shares of the Corporation's common stock and up to 45,048 shares of stock awards to its directors and employees. Option awards were granted with an exercise price equal to the market price of the Corporation's stock at the date of grant with those option awards generally vesting based on five years of continuous service and ten-year contractual terms. Restricted stock awards were granted based upon the fair value of the Corporation's stock on the date of grant with those awards generally vesting over five years. The 2006 Equity Plan expired on October 31, 2016 and no further awards can be made under this plan.

Stockholders of the Corporation approved a new Equity Incentive Plan on May 30, 2017 ("2017 Equity Incentive Plan") which reserved a total of 135,000 shares of common stock. A maximum of 85,000 options to purchase shares of the Corporation's common stock and a maximum of 50,000 stock awards may be granted. Option awards are granted with an exercise price equal to the market price of the Corporation's stock at the date of grant with those option awards generally vesting based on five years of continuous service and ten-year contractual terms. Restricted stock awards are granted based upon the fair value of the Corporation's stock on the date of grant with those awards generally vesting over five years. The 2017 Equity Incentive Plan expires May 30, 2027.

Stock Option Plan

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model based upon the following assumptions. Expected volatilities are based on historical volatilities of the Corporation's common stock. The Corporation uses historical data to estimate option exercise and post-vesting termination behavior. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of options granted was determined using the following weighted average assumptions as of the grant date.

	2020	2019
Risk-free interest rate	0.51%	2.29%
Expected term	7 years	7 years
Expected stock price volatility	18.00%	18.00%
Dividend yield	3.72%	2.73%
Weighted average fair value of options granted	$ 0.64	$ 1.53

(Continued)

NOTE 10 – STOCK-BASED COMPENSATON PLANS (Continued)

A summary of the activity in the stock option plan for 2020 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	51,261	$ 9.03	6.83 years	$ 100,778
Granted	6,800	7.52		
Exercised	–	–		
Forfeited or expired	(1,819)	9.48		
Outstanding at end of year	56,242	$ 8.84	6.20 years	$ –
Fully vested and expected to vest	56,242	$ 8.84	6.20 years	$ –
Exercisable at end of year	34,367	$ 8.80	5.21 years	$ –

As of December 31, 2020, 63,069 options to purchase shares of stock remain available for grant under the 2017 Equity Incentive Plan. Information related to the stock option exercises during each year follows (in thousands):

	2020	2019
Intrinsic value of options exercised	$ –	$ –
Cash received from option exercises	–	–
Tax benefit from option exercises	–	–

Unrecognized compensation cost related to nonvested stock options granted under the Plan will be recognized as follows:

2021	$ 6,000
2022	5,000
2023	4,000
2024	1,000
2025	–
Total	$ 16,000

Compensation expense for the awards totaled approximately $10,000 and $12,000 for the years ended December 31, 2020 and 2019.

The shares of the stock to be delivered under the Plan may consist, in whole or in part, of treasury stock or authorized but unissued shares not reserved for any other purpose; provided, however, that the use of shares purchased in the secondary market will be limited to such repurchases as are permitted by applicable regulations of the Office of the Comptroller of the Currency.

(Continued)

NOTE 10 – STOCK-BASED COMPENSATON PLANS (Continued)

Restricted Stock Award Plan

Compensation expense is recognized over the vesting period of the awards based upon the fair value of the stock at issue date. Restricted stock awards vest ratably over 5 years. Total shares issuable under the 2017 Equity Incentive Plan at December 31, 2020 total 36,950. Compensation expense for the awards totaled approximately $31,200 and $34,600 for the years ended December 31, 2020 and 2019.

A summary of changes in the Corporation's nonvested shares for the year follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at beginning of year	11,152	$ 9.39
Granted	4,700	7.52
Vested	(3,962)	9.02
Forfeited	(970)	9.13
Nonvested at end of year	10,920	$ 8.75

Unrecognized compensation cost related to nonvested restricted stock awards granted under the Plan will be recognized as follows:

2021	$ 23,000
2022	21,000
2023	16,000
2024	9,000
2025	2,000
Total	$ 71,000

The total fair value of shares vested during the years ending December 31, 2020 and 2019 was $29,000 and $33,500.

NOTE 11 – REGULATORY CAPITAL MATTERS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgements by regulators. Failure to meet capital requirements can initiate regulatory action. The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Corporation on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.00% for 2015 to 2.50% by 2019. The capital conservation buffer for both 2020 and 2019 was 2.50%. The capital conservation buffer is excluded from the adequately capitalized risk- based capital ratios. Management believes as of December 31, 2020, the Bank meets all capital adequacy requirements to which they are subject.

(Continued)

NOTE 11 – REGULATORY CAPITAL MATTERS (Continued)

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. As of December 31, 2020 and 2019, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since notification that management believes have changed the institution's category.

Actual and required capital amounts (in thousands) and ratios are presented below at year-end.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2020						
Tier 1 (core) capital to average weighted assets	$ 19,878	9.5%	$ 8,413	4.0%	$ 10,516	5.0%
Common Tier 1- (CETI)	19,878	14.1	6,355	4.5	9,179	6.5
Tier 1 (core) capital to risk-weighted assets	19,878	14.1	8,473	6.0	11,298	8.0
Total capital to risk-weighted assets	21,018	14.9	11,298	8.0	14,122	10.0
December 31, 2019						
Tier 1 (core) capital to average weighted assets	$ 20,606	10.6%	$ 7,743	4.0%	$ 9,679	5.0%
Common Tier 1- (CETI)	20,606	15.0	6,201	4.5	8,957	6.5
Tier 1 (core) capital to risk-weighted assets	20,606	15.0	8,268	6.0	11,023	8.0
Total capital to risk-weighted assets	21,584	15.7	11,023	8.0	13,779	10.0

Greenville Federal is subject to regulations imposed by the OCC regarding the amount of capital distributions payable to the Corporation. Generally, Greenville Federal's payment of dividends is limited, without prior OCC approval, to net earnings for the current calendar year plus the two preceding calendar years, less capital distributions paid over the comparable time period. Insured institutions are required to file an application with the OCC for capital distributions in excess of this limitation. During the year ended, December 31, 2020, a capital distribution of $1.4 million was made to the Corporation. During the year ended December 31, 2019 no capital distributions were made to the Corporation.

Regulations governing mutual holding companies permit Greenville Federal MHC to waive the receipt by it of any common stock dividend declared by GFFC or Greenville Federal, provided the FRB does not object to such waiver. During the years ended December 31, 2020 and 2019, Greenville Federal received approval for such waiver from the FRB and waived $177,000 and $265,000 in dividends, respectively.

(Continued)

NOTE 12 – OFF-BALANCE-SHEET ACTIVITIES

The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers, including commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statement of financial condition. The contract or notional amounts of the commitments reflect the extent of the Corporation's involvement in such financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations, including receipt of collateral, as those utilized for on-balance-sheet instruments.

The contractual amount of financial instruments with off-balance-sheet risk was as follows (in thousands):

	2020	2019
Fixed rate commitments	$ 21,911	$ 8,368
Variable rate commitments	8,904	12,173
	$ 30,815	$ 20,541

The interest rate on fixed-rate commitments ranged from 2.50% to 5.25% at December 31, 2020 and 3.00% to 6.25% at December 31, 2019. Commitments to make loans are generally made for a period of 30 days or less.

NOTE 13 – DISCLOSURES ABOUT FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant, unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following is a description of the Corporation's valuation methodologies used to measure and disclose the fair values of its financial assets and liabilities on a recurring or nonrecurring basis:

Mortgage Servicing Rights: Fair value is determined at the tranche level, based on market prices for comparable mortgage servicing contracts (Level 2), when available, or alternatively based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model utilizes interest rate, prepayment speed, and default rate assumptions that market participants would use in estimating future net servicing income and that can be validated against available market data.

(Continued)

NOTE 13 – DISCLOSURES ABOUT FAIR VALUE (Continued)

Impaired Loans: The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent real estate valuations for property securing the loans, since such loans are usually collateral dependent. These valuations use a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the valuation process by the evaluators to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Other Real Estate Owned: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for a lower of cost or fair value less estimated costs to sell. Fair values are generally based on third party appraisals of the property, resulting in a Level 3 classification. Real estate owned properties are evaluated on at least a quarterly basis for additional impairment and adjusted accordingly.

Assets measured at fair value on a recurring basis as of December 31, 2020 and 2019 are summarized below (in thousands).

	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
December 31, 2020	
Mortgage Servicing Rights	$ 724
December 31, 2019	
Mortgage Servicing Rights	$ 601

Assets measured at fair value on a non-recurring basis as of December 31, 2020 and 2019 are summarized below (in thousands).

	Fair Value Measurements Using: Significant Unobservable Inputs (Level 3)
December 31, 2020	
Impaired Loans:	
Residential Real Estate:	
1-4 family residential	$ 27
Commercial Real Estate:	
Commercial real estate	381
December 31, 2019	
Impaired Loans:	
Residential Real Estate:	
1-4 family residential	$ 118
Commercial	178
Foreclosed Assets:	
1-4 family residential	24

(Continued)

NOTE 13 – DISCLOSURES ABOUT FAIR VALUE (Continued)

Impaired loans, which are usually measured for impairment using the fair value of the collateral, had a principal balance of approximately $459,000, with a specific valuation allowance of $51,000. These loans did not require any additional provision for loan losses for the fiscal year ended December 31, 2020.

Impaired loans, which are usually measured for impairment using the fair value of the collateral, had a principal balance of approximately $391,000, with a specific valuation allowance of $95,000, resulting in $79,000 of additional provision for loan losses for the fiscal year ended December 31, 2019.

The following table presents quantitative information about level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2020 and 2019:

2020	Fair value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Impaired Loans -				
1-4 family residential	$ 27,000	Sales comparison approach	Adjustment for differences between the comparable sales	-1.55% to 0.23% (-1.89%)
Commercial real estate	$ 381,000	Sales comparison approach	Adjustment for difference between the comparable sales	-14.34% to 33.28% (36.20%)

2019	Fair value	Valuation Technique(s)	Unobservable Input(s)	Range (Weighted Average)
Impaired Loans -				
Impaired Loans -				
1-4 family residential	$ 118,000	Sales comparison approach	Adjustment for differences between the comparable sales	-9.83% to 15.70% (0.04%)
Commercial	$ 178,000		Management adjustments for liquidation expenses	70% discount
Foreclosed Assets -				
1-4 family residential	$ 24,000	Sales comparison approach	Adjustment for differences between the comparable sales	-20.86% to 27.54% (-0.98%)

(Continued)

NOTE 13 – DISCLOSURES ABOUT FAIR VALUE (Continued)

The carrying amounts and estimated fair values of financial instruments, at December 31, 2020 and December 31, 2019 are as follows (in thousands):

	Carrying Value	Fair Value Measurements at December 31, 2020 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 23,166	$ 23,166	$ –	$ –	$ 23,166
Interest-bearing time deposits in other financial institutions	6,972	–	6,972	–	6,972
Securities held to maturity	7,589	–	7,477	–	7,477
Loans receivable, net	162,285	–	–	157,435	157,435
Federal Home Loan Bank stock	711	N/A	N/A	N/A	N/A
Accrued interest receivable	718	–	718	–	718
Financial liabilities					
Deposits	$ 187,562	$ 108,917	$ 80,962	$ –	$ 189,879
Advances from the Federal Home Loan Bank	–	–	–	–	–
Advances by borrowers for taxes and insurance	964	964	–	–	964
Accrued interest payable	84	–	84	–	84

	Carrying Value	Fair Value Measurements at December 31, 2019 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 24,790	$ 24,790	$ –	$ –	$ 24,790
Interest-bearing time deposits in other financial institutions	996	–	996	–	996
Securities held to maturity	1,612	–	1,533	–	1,533
Loans receivable, net	158,823	–	–	152,655	152,655
Federal Home Loan Bank stock	703	N/A	N/A	N/A	N/A
Accrued interest receivable	720	–	720	–	720
Financial liabilities					
Deposits	$ 167,245	$ 83,461	$ 85,204	$ –	$ 168,665
Advances from the Federal Home Loan Bank	7,313	–	7,181	–	7,181
Advances by borrowers for taxes and insurance	1,003	1,003	–	–	1,003
Accrued interest payable	103	–	103	–	103

While these estimates are based on management's judgment of the appropriate valuation factors, no assurance exists that, were the Corporation to have liquidated such items, the estimated fair values would necessarily have been realized. The estimated fair values should not be considered to apply to subsequent dates.

(Continued)

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Corporation's revenue from contracts with customers in the scope of ASC 606 is recognized within Noninterest Income. The following table presents the Corporation's sources of Noninterest Income for the twelve months ended December 31, 2020 and 2019 (in thousands). Items outside the scope of ASC 606 are noted as such.

	2020	2019
Noninterest Income		
Customer Service Charges		
Service charges on deposits	$ 271	$ 331
Interchange income	337	294
Other[(a)]	129	131
Gain on sale of mortgage loans[(b)]	1,384	279
Other		
Net gains (losses) on sales of OREO	(10)	–
Earnings on Company Owned Life Insurance[(b)]	145	147
Loan servicing income[(b)]	(78)	60
Other[(b)]	56	60
Total Noninterest Income	$ 2,234	$ 1,302

(a) The Other category includes ATM fee income from foreign cardholders totaling $56,000 for the year ending December 31, 2020 and $62,000 for the year ending December 31, 2019. Also included is Safe Deposit Box income totaling $7,000 for the years ending December 31, 2020 and December 31, 2019. Both are within scope of ASC 606.

(b) Not within the scope of ASC 606.

A description of the Corporation's revenue streams accounted for under ASC 606 follows:

Service Charges on Deposit Accounts: The Corporation earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, wire transfer, check issuance, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income: The Corporation earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Gains/Losses on Sales of OREO: The Corporation records a gain or loss on the sale of OREO when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of OREO to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

(Continued)

NOTE 14 – REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Other Income: The Corporation earns fees from foreign cardholders for the use of its ATMs. These transaction-based fees are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the request. The Corporation also earns income from the rental of Safe Deposit Boxes. The income is recognized over the time of the performance obligation.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 3:00 p.m., on May 27, 2021 at the main office of Greenville Federal, 690 Wagner Ave., Greenville, Ohio. Further information with regard to the meeting can be found in the proxy statement.

STOCK LISTING

Greenville Federal Financial Corporation common stock is quoted on the OTC Pink Market under the symbol "GVFF."

STOCKHOLDER AND GENERAL INQUIRIES

Greenville Federal Financial Corporation
690 Wagner Avenue
Greenville, Ohio 45331
(937) 548-4158
Attn: Jeff Kniese or Susan Barker

TRANSFER AGENT

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

OFFICE LOCATIONS

Main Office: 690 Wagner Avenue
Greenville, Ohio 45331
(937) 548-4158

Branch Offices: Greenville Kroger Banking Center
200 Lease Avenue
Greenville, OH 45331
(937) 548-4158

Troy Kroger Banking Center
731 W. Market St.
Troy, OH 45373
(937) 332-0010

Tipp City Banking Center
500 W. Main St.
Tipp City, OH 45371
(937) 667-4000

Internet Banking: www.greenvillefederal.com

BOARD OF DIRECTORS

Jeff D. Kniese
President and Chief Executive Officer of
Greenville Federal Financial Corporation and Greenville Federal

Patrick R. Custenborder
Vice President of Phelan Insurance Agency

Joe W. Dickerson
President and Owner of Koverman Staley Dickerson Insurance

Ryan C. Dynes
Attorney for Dynes & Dynes, LLC

George S. Luce, Jr.
Salesperson for Best Equipment Company, Inc.

Mark A. Miller
Owner of Millmark Construction and Milcon Concrete

Julie F. Strait
Accountant for Fry and Company
Entrepreneur

James W. Ward (Chairman of the Board)
Certified Public Accountant for Fry and Company

EXECUTIVE OFFICERS OF THE CORPORATION

Jeff D. Kniese, President & CEO
Susan J. Barker, Chief Financial Officer, Treasurer, Executive Vice President, & Secretary

SPECIAL COUNSEL

Luse Gorman, PC
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Washington, D.C., 20015
(202) 274-2000

INDEPENDENT AUDITORS

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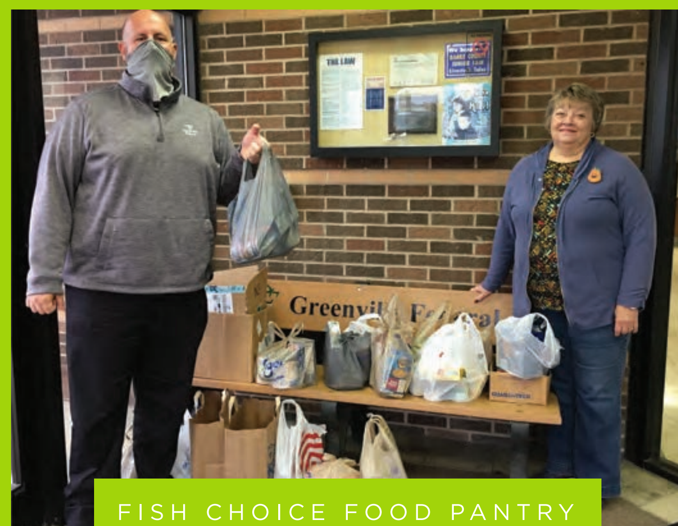
600 Superior Avenue East
Suite 902
Cleveland, Ohio 44114
(216) 623-7500

GIVING BACK TO OUR LOCAL COMMUNITIES

In 2020, many were affected by the COVID-19 pandemic and global crises of which will be remembered forever. COVID-19 has been a tremendous challenge for individuals and businesses, affected all in its path. The pandemic not only changed perspectives on life, priorities, and the way we work and interact, it also changed the way many did their banking.

UNITED WAY STUFF A BUS



FISH CHOICE FOOD PANTRY

During the pandemic, many individuals and families were affected with loss of jobs, income, food and a place to live. Through those tough times the team at Greenville Federal rallied together to give back to organizations which help these individuals and their families. As a true local community bank, we take pride in giving back to the local communities we serve in the good times as well as bad.

SHUT IN LUNCH PROGRAM

Since 1883

Greenville Federal

*The **Smart Way** to Bank*